

EXECUTIVE SUMMARY

The purpose of this project is to resolve the problem of Reducing Air Freight Revenue at Aero Freight and Logistics WLL (AFL) in Qatar. The logistics industry in Qatar was disrupted by the political blockade imposed on Qatar by three of its neighboring partners (i.e., KSA, UAE and Bahrain) together with Egypt in mid-2017 and again by the global pandemic of Covid-19. These disastrous events have had significant impact on everyone including AFL. Specially the Air Freight service of AFL, which had been the main revenue generator for the company prior 2017, has started declining since the start of the blockade. The revenue drop had been quite significant that AFL has lost 23.2% of its Air Freight.

AFL is a subsidiary of Aero Group of Companies and has been operating since 1981. Employing 150 people, AFL was generating 35% of groups revenue. The main service verticals of AFL include Air Freight, Sea Freight, Land Freight, Customs Clearance and Warehousing. The Air Freight has been the flagship service of the company representing 34% of AFL's overall revenue. However, financial records show that during last 6 years from 2017 the Air Freight service had been performing 23.2% lesser than the expected level on average. That is a drop of about QAR 9.7Mn a year. Through the past performance records, the SWOT analysis and Staff interviews conducted, it has been identified that the said drop in air freight revenue is attributable to 'weakening business enquiry conversation ratio', 'shrinking active customer base' and 'increase in the jobs with errors as a percentage of jobs total jobs performed'. The root causes for the said area have been identified as uncompetitive rates, absence of pre-agreed rates, insufficient customer visits, overloaded customer service staff, no customer-motivation programs, shipment offloads, poor responsiveness, and invoicing errors.

Having identified the project components as Air Freight Revenue, Freight Pricing, Customer Relationship Management and Service Quality, a thorough literature review was conducted to find out what potential solutions and techniques that can be found from the warranted knowledge available in the literature. The techniques recommended in literature such as allotment-bookings, block space agreements, and Freight Co-loading have been used to resolve the Freight Pricing related problems. Further it has been identified through literature that while the improvements to Customer Relationship Management can be achieved through 'incentive contracts' and 'job re-design' techniques, the techniques such as that employee reward

systems, value stream mapping, and process mapping can help addressing the service quality related problems.

The main objective of the project was set as, to increase the Air Freight Revenue by 30.2%, that is an increase of QAR 9.7Mn a year. The objectives for Freight Pricing component, CRM component and Service Quality Component have been set as, to increase the BE conversion ratio by 45.7%, to increase the active customer base by 43.4% and to reduce the customer complaints to jobs handled ratio by 74.6% respectively. These objectives are planned to be accomplished by implementing the method of block-space agreements, forming a specialized pricing unit, developing a customer reward system, outsourcing less value creating tasks to Indian office, re-designing the jobs in the FFWD to be more customer focused, introducing a new CRM platform with modern features, and initiating a staff incentive scheme. A project team of 7 members have been appointed to work on the solutions. A cost of QAR 646k, has been estimated for the project which includes a performance-based bonus for the project team.

The benefit-cost analysis showed a net incremental benefit of QAR 717k and a benefit-cost ratio of 2.1:1 excluding the value of intangible benefits. In terms of ROI, the project is having ROI of 111%. The along with the said net incremental benefit, the project to generate several other remarkable outputs for the company such as ‘Pre-agreed competitive rates’, ‘Effective procurement mechanism for Air Freight’, ‘Loyalty program’, ‘Improved CRM system’, ‘Guaranteed air cargo slots’, ‘Employee incentive plan’ ‘well aligned job profiles’ and a ‘New team-based organization structure’. Further, through this project the company can expect a series of favorable outcomes such as enhanced customer experience, improved productivity of FFWD department and increased overall profitability.

The proposed solutions have been evaluated based on the warranted knowledge available in literature. There is a theoretical under pinning for each solution proposed. The discussion also included information on the extent of output to be expected as per literature. It was observed that the scope of identified literature surpasses the immediate scope of the project. Hence, to achieve sustainability and steady growth of revenues, the AFL may consider implementing those secondary options which are highlighted in the discussion. Finally, a series of recommendations have been given in the report for effective implementation of the project as well as for future consideration, followed by a statement of conclusions.